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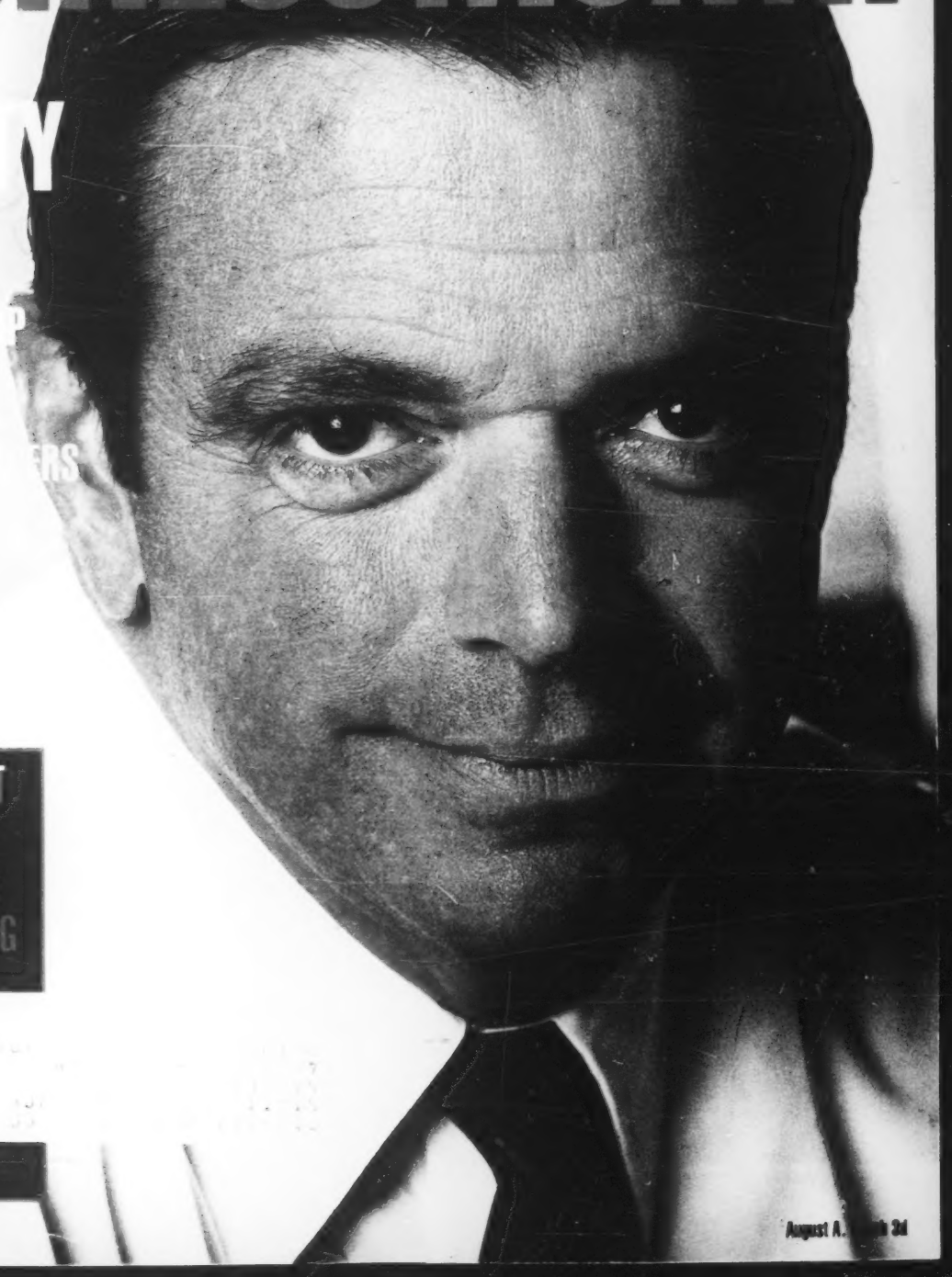
JUNE 1988 $3.00

BUSINESS MONTH

DUKAKIS TALKS BUSINESS



SPECIAL REPORT
FIGHTING FOR NEW BUSINESS: THE WAR AMONG THE STATES IS BARE

Plus
A Coast
Guide To Incentives

August A

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BUSINESS MONTH

JUNE 1988

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COVER PHOTOGRAPH: MARIA ROBLEDO. DUKAKIS INSET: JON SIMON/(LAMMA) PASON

Favored Nations, Favored Firms

WHEN CONGRESS BEgan considering the massive, 1,000-page trade bill last year, a legion of corporate lobbyists went to work crafting amendments to aid their clients. Despite arm-twisting help from friendly senators and representatives, few companies or business organizations got special treatment in the final bill passed by the Senate on April 27. Here are some that did:

☐ **Warner-Lambert Company.** Representative Butler C. Derrick, a Democrat from South Carolina, and Senator Frank R. Lautenberg, a Democrat from New Jersey, engineered an amendment that extends the drug company's patent on the heart drug "Lopid" for three and a half years. Warner-Lambert has a large manufacturing plant in Derrick's district, and its headquarters are in New Jersey.

☐ **Boeing Corporation and McDonnell Douglas Corporation.** They got a little help in their battles with Airbus Industrie of Europe from two Republican senators: Dan Evans of Washington and John C. Danforth of Missouri, in whose states the aerospace firms are based. Under the bill, it will be easier for those companies to win an antidumping or countervailing tariff case against foreign consortiums, such as Airbus.

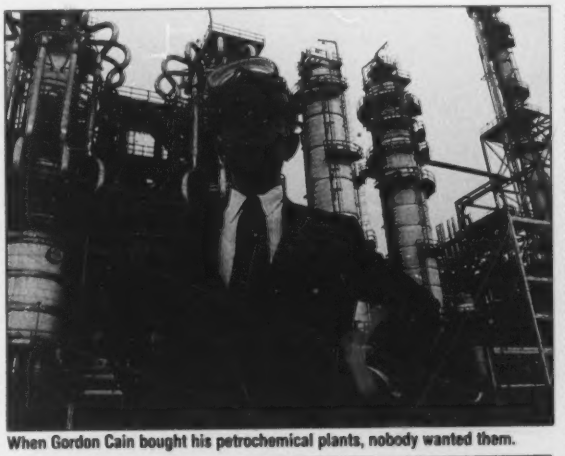
☐ **The National Wool Growers Association.** It wasn't able to stop New Zealand and Australia from exporting lamb to the United States, but two Texas Democratic representatives, Charles W. Stenholm and E. "Kika" de la Garza, inserted a provision in the bill to study lamb imports—and perhaps slow them down.

☐ **Bishop, Cook, Purcell & Reynolds.** The Washington law firm won the prize for the most narrowly defined special-interest amendment when its lobbyist, Robert M. Bor, former chief counsel of the House Committee on Agriculture, got language inserted into the bill authorizing the Secretary of Agriculture to pay $500,000 in legal fees the firm had earned defending the National Corn Growers Association in a tariff case against its Canadian counterpart. Representative Edward R. Madigan, the ranking minority member on the Agriculture Committee, plowed the amendment through Congress. —*KEITH F. GIRARD*

WILL VAN OVERBEEK

The Special Gift Of Gordon Cain

LEST YOU THINK ALL IS bleak in Texas, consider the story of Gordon Cain, a 76-year-old, twice-retired entrepreneur who raised Cain Chemical from the ashes of the depressed petrochemical industry to the benefit of investors and employees alike. Last spring, with the help of Morgan Stanley and Chase Manhattan, Cain put together the largest leveraged buy-out in petrochemical history to acquire bits and pieces of seven plants that the major chemical companies had marked for closure.



When Gordon Cain bought his petrochemical plants, nobody wanted them.

Immediately upon taking control, Cain bundled his scattered holdings under a tight band of senior managers, most of whom were early retirees from other companies. He retained everyone from the level of plant manager down and gave them a stake in the enterprise's success through profit sharing and an employee stock-ownership plan. Within three months, Cain Chemical was operating at a profit, and in April, before the company was even a year old, giant Occidental Petroleum Corporation bought it for $1.25 billion in cash. Analysts put the total price, which includes some debt assumption and other considerations, at $2.2 billion. Chase Manhattan alone made a $120 million pretax gain on the deal. Each of Cain's employees received at least $100,000 for his share of the company. Some who had purchased additional stock became instant millionaires.

Now, about those ailing steel companies. . . .

—*LAUREL BRUBAKER CALKINS*

CEOs' CONTRIBUTIONS TO PRESIDENTIAL PRIMARIES

(As of March 8, 1988)

	BUSH	DOLE	DUKAKIS	JACKSON	GORE
Roger B. Smith General Motors	$1,000				
Lawrence G. Rawl Exxon		$1,000			
John F. Akers IBM	$1,000				
Allen E. Murray Mobil	$1,000	$1,000			
James W. Kinnear Texaco		$1,000			
George M. Keller Chevron	$1,000				
John F. Bookout Shell Oil	$1,000	$1,000			
Richard M. Morrow Amoco	$1,000	$500			
Armand Hammer Occidental Petroleum	$1,000				$1,000
John G. Smale Procter & Gamble	$1,000	$1,000			
Lodwrick M. Cook Atlantic Richfield	$750	$1,000			

Note: Maximum individual contribution to any one candidate or candidate's committee is $1,000 for the primaries and another $1,000 for the general election. These contributions were for the primary elections only. **Source:** Federal Election Commission

Sematech May Need Want Ads

TROUBLE IS BREWING in America's semiconductor paradise. Not only does Congress persist in trying to renege on its $100 million-a-year funding pledge for Sematech—the semiconductor industry's fledgling joint-re-

STATES FOR SALE

A COAST-TO-COAST GUIDE TO INCENTIVES

The hard sell is on. To compete in the industrial-site-selection sweepstakes, the states have had to keep beefing up their incentive packages. One of the more significant trends is the equal availability of these inducements to both out-of-state and in-state companies. Another is the states' increasing skill in packaging their own incentives with outside bank loans to fit the needs of individual companies. As the tables on the following pages show, incentives still vary widely from state to state. A rundown on the major categories:

DIRECT FINANCIAL INCENTIVES

INDUSTRIAL-DEVELOPMENT BONDS. For years, issuing municipal bonds to finance factories and office buildings has been the dominant form of assistance. Now, though, they are on the way out. Under the 1986 Tax Reform Act, 1989 is the last year in which these bonds will be tax-exempt. Counties and cities are already finding them a very tough sell to investors.

UMBRELLA BONDS. To help companies that are too small to qualify for individual revenue-bond programs, states often bundle several bond issues of $1 million or less into a single umbrella issue and distribute the proceeds as low-cost, long-term loans for the purchase of land, buildings and equipment.

STATE GRANTS. Although direct grants to companies are rare, a handful of states offer indirect or matching grants for specific projects, including research-and-development partnerships between companies and local universities, infrastructure improvements and incubator facilities to spawn new businesses.

CUSTOMIZED INDUSTRIAL TRAINING. Most states reimburse part or all of a company's costs for preemployment or on-the-job training of employees in special skills. Some states also help recruit skilled personnel and offer technical assistance in the form of specialized instructors and courses in community colleges or mobile classrooms.

MISCELLANEOUS FINANCIAL INCENTIVES. Individual states offer a variety of additional aids, including direct state loans, loan guarantees, venture capital and the deposit of state funds in banks that agree to provide low-cost loans to specific companies.

TAX BREAKS

Tax breaks are granted in the form of exemptions, deductions, credits and abatements. Among the most common:

- Goods in transit exempted from use tax or property tax.
- Business inventory, either raw materials or finished goods, exempted from property tax.
- Industrial machinery and equipment fully or partly exempted from sales and use taxes.
- Pollution-control equipment exempted from sales tax or property tax, or cost of equipment deductible from income-tax liability.
- Energy- and fuel-conservation measures exempted from sales tax or allowed tax credits.

Other special treatment includes tax credits for job creation and venture-capital investments, property-tax abatements on new buildings, exemptions from sales tax on industrial fuels and raw materials, and various forms of tax forgiveness for locating in enterprise zones (usually distressed areas in urban centers). →

INDUSTRIAL INCENTIVES

STATES FOR SALE

DIRECT FINANCIAL INCENTIVES — BASIC

STATE	INDUSTRIAL-DEVELOPMENT BONDS	UMBRELLA BONDS	STATE GRANTS	CUSTOMIZED INDUSTRIAL TRAINING	OTHER INCENTIVES	CORPORATE INCOME TAX
ALABAMA Development Office State Capital Montgomery, AL 36130 (205) 263-0048	Issued by cities and counties or their agencies	None	Ala. Industrial Devel. Authority makes grants to pay a portion of industrial-site improvement costs	Ala. Industrial Devel. Training Institute assumes all costs for pre-employment training	Enterprise zones (the state may designate up to 25 in distressed regions)	5% (certain banks, building and loan associations and insurance companies are exempt)
ALASKA Dept. of Commerce and Economic Development Pouch D Juneau, AK 99811 (907) 465-2500	None	Available for capital projects and for companies involved in international trade	None	None	None	Taxed only on the portion of net income apportioned to the state
ARIZONA Dept. of Commerce 1700 W. Washington Street Phoenix, AZ 85007 (602) 255-5374	Cities and counties issue tax-exempt bonds for manufacturing industries	None	None	None	None	2.5% to 10.5% on net income
ARKANSAS Industrial Development Commission One State Capitol Mall Little Rock, AR 72201 (501) 371-2052	Issued by counties and municipalities for land acquisition and development (up to 100% financing for land)	None	None	State agency sets up community job-training programs to meet industry's needs	Ark. Capital Corp. lends money to small businesses unable to obtain assistance from other sources	1% to 6%
CALIFORNIA Dept. of Commerce 1121 L Street, Suite 600 Sacramento, CA 95814 (916) 322-1394	Issued by cities and counties to finance land acquisition, building construction and equipment	None	None	Employment training panel provides job-training and job-placement services	Small-business and development bonds; recession assistance programs	9.3%
COLORADO Office of Business Development 1625 Broadway, Suite 1710 Denver, CO 80202 (303) 892-3840	Issued by local government to help corporations rehabilitate or locate facilities in the state	None	None	State-run program provides trained workers for new and expanding businesses	None	5%
CONNECTICUT Dept. of Economic Development 210 Washington Street Hartford, CT 06106 (203) 566-3787	Tax-exempt bonds available for new and expanding businesses	Tax-exempt financing for companies with projects too small to qualify for assistance under the revenue-bond program	None	Preemployment and on-the-job training for companies locating or expanding in the state	Urban investment advantage to service firms that generate 10 or more new jobs and show a capacity to support loan guarantees	11.5%
DELAWARE Development Office 99 Kings Highway, P.O. Box1401 Dover, DE 19903 (302) 736-4271	Issued by Econ. Devel. Authority to manufacturers, first-time farmers and 50k corporations	None	None	Del. Devel. Office administers a job-training program for new and expanding firms	None	8.7%
FLORIDA Dept. of Commerce 501-B Collins Building Tallahassee, FL 32301 (904) 488-6300	Issued by cities and counties to finance facilities	None	None	State provides employee training for new and expanding businesses	Black Business Investment Board; Econ. Devel. Transportation Fund; High-Tech, Innovation, Research and Devel. Fund	5.5%
GEORGIA Dept. of Industry and Trade 230 Peachtree Street, N.W. P.O. Box 1776 Atlanta, GA 30301 (404) 656-3556	Small-issue bonds issued by local industrial-revenue authorities	None	None	Dept. of Education provides preemployment and on-the-job training for new and expanding industrial firms	Private development-credit corporations give loans to firms that have been turned down by other financial institutions	6%
HAWAII Dept. of Business and Economic Development Honolulu, HI 96813 (808) 548-3033	Special-purpose bonds provide low-interest financing for small industrial businesses	None	None	Special programs are available to train workers for new industries locating in Hawaii	None	4.4% on income up to $25,000; 5.4% up to $100,000; 6.4% on income exceeding $100,000
IDAHO Dept. of Commerce Statehouse, Room 108 Boise, ID 83720 (208) 334-3416	Cities and counties issue bonds with terms up to 40 years	None	None	New Industry Training Pgrm. provides training for new and expanding industries	None	8%
ILLINOIS Dept. of Commerce and Community Affairs 620 E. Adams Street Springfield, IL 62701 (217) 782-7500	Tax-exempt bonds are issued by the Illinois Devel. Finance Authority to create jobs	Illinois Devel. Finance Authority offers a pooled-bond program for small businesses	None	State gives grants to cover a portion of salaries of workers being trained	Development assistance fund; direct loan program; agribusiness bond program; innovation research grants	4%
INDIANA Dept. of Commerce One North Capitol, Suite 700 Indianapolis, IN 46204 (317) 232-8800	Issued by the Indiana Agricultural Devel. Corp. for certain agricultural purposes	None	None	Training-for-Profit program offers tailored training at little or no cost	Loan guarantees; infrastructure fund; venture-capital corporation; industrial retraining	3.4%
IOWA Dept. of Economic Development 200 E. Grand Avenue Des Moines, IA 50309 (515) 281-3251	Cities and counties provide tax-exempt financing for land, buildings, improvements and equipment	Iowa Finance Authority Bond Bank Program provides financing to qualifying local businesses of all sizes	Community Econ. Betterment Account may be used to cover costs of projects that generate new jobs	Industries in interstate commerce eligible for Iowa Jobs Training Pgrm. and Small Business New Jobs Training Pgrm.	Venture credit corporation	6% to 12%
KANSAS Dept. of Commerce 400 S.W. 8th Street Capital Towers, Suite 500 Topeka, KS 66603 (913) 296-3481	Issued by cities and counties for a variety of economic purposes	None	Block-grant funds help communities attract new industry and expand local businesses	None	Risk capital; venture capital; seed capital; research grants; tax-increment financing	4.5%

1988: WHERE THE DEALS ARE

BUSINESS TAXES		TAX EXEMPTIONS FOR COMPANIES					
SALES AND USE TAXES	PROPERTY TAX	FOR GOODS IN TRANSIT	FOR BUSINESS INVENTORY	FOR INDUSTRIAL MACHINERY AND EQUIPMENT	FOR POLLUTION-CONTROL EQUIPMENT	FOR ENERGY AND FUEL CONSERVATION	OTHER TAX BREAKS
4%	0.0065%; industrial property generally assessed at 20%	Exempt for up to three years before shipment out of state	Manufactured articles are exempt for one year after production	Exempt from sales and use taxes	Exempt from sales tax, use tax and property tax	No sales and use taxes on fuel used in manufacturing	Property-tax abatement to certain industries for up to 10 years
None	Real property taxed by cities and boroughs	Exempt from property tax	None	None	None	None	Up to 1% of federal income tax on investment in depreciable property may be applied to state corporate income tax
Sales tax is 4% of gross income for most industries	Most commercial and industrial property assessed at 25% of full market value	Exempt	Exempt	Exempt from sales tax	Cost of equipment is amortized over 60 days and deducted from gross income on state corporate income tax	Costs taken as a deduction against gross income or as a credit against tax liability	None
4% sales tax on most retail sales and some services	None	Some transportation equipment exempt from use tax	None	Exempt from sales and use taxes	Exempt from sales and use taxes	None	Industrial fuels and raw materials exempt from sales tax
4.75%	Real property taxed at 1.1% of full cash value	None	Exempt from property tax	Exemptions for specific machinery used out of state	Deductible from net taxable income	None	Industrial fuels and raw materials exempt from sales and use taxes; targeted-jobs tax credit
3%	Most property is taxed	None	None	Up to $500,000 a year worth of machinery and equipment used exclusively for manufacturing is exempt	Any increase in value of building attributed to energy costs is excluded in determining actual value	None	Industrial fuels and raw materials exempt from sales and use taxes; deduction for subsidized employee transportation
7.5%	Most real and tangible property is taxed	Exemptions for some motor vehicles and watercraft	Average monthly inventories of manufacturers and wholesale and retail businesses are exempt from property tax	Exempt from sales and use taxes	Exempt from sales and use taxes	Exempt	Job-creation tax credit
No sales tax; business-license and use taxes are levied on personal-propery leases	Real estate is subject to county property taxes and, if located within an incorporated area, to municipal property taxes	Goods sold out of state by a wholesaler with no Delaware outlet are exempt from the gross-receipts tax	None	Exempt	None	None	Investment tax credit
3%	Real and tangible property is taxed, unless specifically exempted	Exempt from the property tax for up to 180 days	Exempt from property tax	Variety of machinery items have specific exemptions from the sales and use taxes	Exempt from sales and use taxes	Assessed at salvage value rather than fair market value, thus reducing the taxable value	Industrial fuels and raw materials exempt from sales tax; goods for export exempt from sales and use taxes
3%	Assessed at 40% of fair market value; tax rate varies among counties from 0.5% to 1.5% of the value of the property	Local taxing jurisdictions may exempt business inventories in transit from the property tax	Local taxing jurisdictions can exempt from property tax raw materials, goods in process and finished goods	Exempt from sales and use taxes	None	Solar-energy equipment exempt from property tax	None
Most manufactured products for export out of state are exempt	Assessed at 100% of fair market value; taxes vary from 0.6% to 1%, depending upon type of property	Agricultural commodities, tobacco products and liquor to carriers engaged in interstate or foreign commerce are exempt	None	Exempt from sales tax	State exempts gross proceeds from sales of gasohol for use or consumption if derived from biomass	No sales tax on air-pollution facilities	Industrial fuels and raw materials exempt from excise tax
5%	Nonexempt real and tangible property are assessed at market value	Exempt	Exempt	Some machinery items are exempt	Exempt from sales and use taxes	Nonpatented mining claims are exempt from property tax	Industrial fuels and raw materials exempt from sales and use taxes
5%	Personal property is exempt; real property is assessed at 33.3% of actual value	None	None	None	Exempt from sales and use taxes	Exempt from sales and use taxes	Income-tax credits; property-tax abatement
5%	Property is assessed at 33.3% of true cash value	Exempt from property tax	None	Transportation and manufacturing machinery is exempt	Exempt from sales and use taxes	Energy-conservation systems may qualify for a credit of 25% of the cost of installation or up to $10,000, whichever is less	Industrial fuels and raw materials exempt from sales and use taxes; property-tax abatement; innovation tax credit
4%	All property is taxed by the state, cities, counties and school districts	None	Exempt from tax on personal property	A valuation limit of 30% of acquisition costs for all machinery	Exempt from property tax	Federal alcohol tax credit may be deducted from gross income on state income tax	Industrial fuels and raw materials exempt from sales tax; R&D tax credit
4%	Real and tangible personal property is taxed by cities, counties and special taxing districts	Kansas Freeport Law provides property-tax relief to interstate businesses until January 1, 1989	None	Exempt if the business qualifies for job and investment tax credits and is within a state-designated enterprise zone	None	None	R&D tax credit; venture capital; investment tax credit; raw materials exempt from sales tax; job-creation tax credit

SOURCE: *REAL DEVELOPMENT MAGAZINE*, JANUARY 1988

STATES FOR SALE

DIRECT FINANCIAL INCENTIVES — BASIC

STATE	INDUSTRIAL-DEVELOPMENT BONDS	UMBRELLA BONDS	STATE GRANTS	CUSTOMIZED INDUSTRIAL TRAINING	OTHER INCENTIVES	CORPORATE INCOME TAX	
KENTUCKY Commerce Cabinet Capital Plaza Tower Frankfort, KY 40601 (502) 564-7670	Tax-exempt financing is available to private businesses	Ky. Devel. Finance Authority combines financing of small projects into composite bond issues	None	Kentucky Trade Adj. Asst. Corp. conducts job training	Direct state loans	3% to 7.5%	
LOUISIANA Dept. of Commerce P.O. Box 94185 Baton Rouge, LA 70804-9185 (504) 342-5361	County and municipal tax-exempt financing for businesses moving to or expanding in the state	None	None	Office of Commerce and Industry trains prospective employees of new and expanding companies	Direct state loans; general-obligation bonds	4% to 8%	
MAINE State Development Office State House, Station 59 Augusta, ME 04333 (207) 289-2656	Finance Authority and municipalities issue bonds for tax-exempt financing of private business	Tax-exempt bonds and small projects that might not qualify for other financing	None	None	Bond and loan guarantees; venture-capital corporations	3.5% to 8.93%	
MARYLAND Dept. of Economic and Employment Development 45 Calvert Street Annapolis, MD 21401 (301) 974-3514	Md. Industrial Devel. Authority aids purchase of land, machinery, equipment and buildings	None	None	Tailored training and employee-recruitment services for businesses starting or expanding in the state	Surety bond guarantees; loan guarantees; franchise-investment program; direct state loans	7%	
MASSACHUSETTS Dept. of Commerce and Development–MODB Leverett Saltonstall Building 100 Cambridge Street Boston, MA 02202 (617) 727-3221	Mass. Industrial Finance Agency's tax-exempt and taxable bonds aid job creation by private business	None	None	Bay State Skills Corp. provides training programs for high-demand jobs and emerging technology	Venture-capital and capital-assistance corporations; privately sponsored development-credit corporation	Personal property taxed at $2.40 per $1,000, plus 9.5% of taxable net income	
MICHIGAN Dept. of Commerce P.O. Box 30225 Lansing, MI 48909 (517) 373-4600	Issued at the state level by the Michigan Strategic Fund	None	Center for Product Devel. provides grants in return for royalties from sales of the new product	Mich. Business and Industrial Training Program provides training for new and expanding businesses	Direct state loans; venture-capital corporation; financial-incentive agency; economic-development corporations	2.35%	
MINNESOTA Dept. of Trade and Economic Development 150 East Kellogg Boulevard St. Paul, MN 55101 (612) 296-6424	None	None	None	None	Direct state loans; Opportunities Minnesota Incorporated Board gives subordinated loans to small businesses	9.5%	
MISSISSIPPI Dept. of Economic Development P.O. Box 849, 1200 Walter Sillers Building Jackson, MS 38205 (601) 359-2449	Certified Devel. Co. of Mississippi issues tax-exempt bonds to finance fixed-asset expenses and costs of industrial development	None	None	Dept. of Vocational and Technical Education offers preemployment and on-the-job training	None	First $5,000 in taxable income is taxed at 3%	
MISSOURI Dept. of Economic Development P.O. Box 118 Jefferson City, MO 65102 (314) 751-4241	Low-interest financing for projects that help the environment and encourage development of alternative-energy sources	Missouri Industrial Devel. Board pools various industrial-development bonds	None	Program helps new and expanding businesses recruit, test, train and retrain workers	Direct state loans	5%	
MONTANA Dept. of Commerce Capitol Station 1424 9th Avenue Helena, MT 59620 (406) 444-3494	Montana Econ. Devel. Board issues bonds for state borrowers	Available to retailers, wholesalers and private-sector businesses for most real-estate development projects	None	Broad-based job-training program for employees of new or expanding businesses	Venture-capital corporation; development-credit corporations	6.75%	
NEBRASKA Dept. of Economic Development P.O. Box 94666 Lincoln, NE 68509 (402) 471-3111	Nebraska Investment Finance Authority invests private capital with an emphasis on blighted areas	Issued by Nebraska Investment Finance Authority	None	Program helps new and expanding businesses recruit, train and retrain workers	Venture-capital applied-research fund; privately sponsored development-credit corporations	4.75%	
NEVADA Commission on Economic Development Capital Complex Carson City, NV 89710 (702) 885-4325	Dept. of Commerce issues tax-exempt bonds to provide low-interest financing for eligible businesses	None	None	The state assists new and expanding businesses in training new and potential employees	Direct state loans	None	
NEW HAMPSHIRE Dept. of Resources and Economic Development 105 Loudon Road, Building 2 Concord, NH 03301 (603) 271-2591	N.H. Indus. Devel. Authority issues bonds to help businesses purchase buildings and land and construct and equip facilities	None	None	None	Privately sponsored development-credit corporation	8%	
NEW JERSEY Dept. of Commerce and Economic Development One West State Street CN-824 Trenton, NJ 08625 (609) 292-2423	N.J. Econ. Devel. Authority issues tax-exempt bonds to manufacturers for fixed-asset financing and land acquisition	None	None	Office of Customized Training provides assistance to employers in recruiting and training workers	Loan guarantees; direct state loans	9%	
NEW MEXICO Economic Development and Tourism Dept. Joseph M. Montoya Building 1100 St. Francis Drive Santa Fe, NM 87503 (505) 827-0272	Issued by cities and counties to finance acquisition of land, buildings, equipment and machinery	None	None	Training program gives grants to new and expanding manufacturers equal to half the wages of employees for retrained training	None	4.8%	
NEW YORK Dept. of Economic Development One Commerce Plaza Albany, NY 12245 (518) 474-4100	N.Y. State Urban Devel. Corp. provides low-cost financing through taxable and tax-exempt bonds	N.Y. Job Devel. Authority finances up to 40% of cost constructing, buying and rehabilitating industrial plants	None	State Training and Manpower Program reimburses employers for approved hiring and training of economically distressed workers	Venture-capital corporations; direct state loans; privately sponsored development-credit corporations	9%	
NORTH CAROLINA Dept. of Commerce 430 N. Salisbury Street Raleigh, NC 26611 (919) 733-4151	Counties and cities authorities to issue bonds that finance private research laboratories and industrial facilities	None	Industry Expansion Program gives one-time grants to small businesses for establishing low-cost, shared-service facilities	N.C. Training Program provides industry with customized training	Industrial Development Fund	7%	

BUSINESS TAXES			TAX EXEMPTIONS FOR COMPANIES					
	SALES AND USE TAXES	PROPERTY TAX	FOR GOODS IN TRANSIT	FOR BUSINESS INVENTORY	FOR INDUSTRIAL MACHINERY AND EQUIPMENT	FOR POLLUTION-CONTROL EQUIPMENT	FOR ENERGY AND FUEL CONSERVATION	OTHER TAX BREAKS
	5%	State and local property taxes on most real and tangible personal property	Exempt from sales and use taxes	None	Exempt from sales and use taxes	Exempt from sales and use taxes	None	Industrial fuels and raw materials exempt from sales and use taxes
	4%	Land assessed at 10% of market value, business property at 15%	Exempt from property tax	None	None	None	Exempt from sales and use taxes	Tax equalization; property-tax abatement; job-creation tax credit
	5%	Real and tangible personal property, unless specifically exempted, is taxed	Exempt from property tax	Exempt from property tax	Exempt from sales and use taxes	Certified water- and air-pollution control facilities are exempt from property tax	None	Industrial fuels and raw materials exempt from sales and use taxes; mining property not taxed for 10 years; tax credits for R&D
	5%	Personal property is exempt	Exempt from use tax	Exempt from property tax	Certain items are exempt	Exempt from sales and use taxes	Wood products for heating are exempt	R&D tax credit; property-tax abatement; industrial fuels and raw materials exempt from sales and use taxes
	5%	Real-property tax rates range from $14 to $30 per $1,000 of value	Exempt from sales and use taxes	Exempt from tax on real property	Exempt from sales and use taxes	Cost of certified pollution-control facilities may be deducted from net income on corporate income tax	Cost of solar- and wind-powered devices may be deducted from net income in determining excise tax	Industrial fuels and raw materials exempt from sales and use taxes; property-tax abatement; investment tax credit; R&D tax credit
	4%	Real and personal property is taxed	Exempt from personal-property tax	Exempt from property tax	Exempt from sales and use taxes	Exempt	None	Industrial fuels and raw materials exempt from sales and use taxes; property-tax abatement
	4%	Local governments tax all real property that is not specifically exempted	None	None	None	None	None	R&D tax credit; enterprise-zone program; property-tax exemptions
	1% to 3%	All real and personal property, unless specifically exempted, is taxed	Exempt from property tax	Exempt from property tax	Depreciation of exhaustion of business property is deductible from corporate gross income tax	Cost of certified air-, noise- and water-pollution control facilities is deductible from gross income over five years	None	Industrial fuels and raw materials exempt from sales and use taxes; property-tax abatement
	4.225%	Real and tangible personal property is taxed	None	None	Some machinery is exempt	Exempt from sales and use taxes	None	Industrial fuels and raw materials exempt from sales and use taxes; property-tax abatement
	None	All property is taxed	Exempt from property tax	Exempt from property tax	None	Air- and water-pollution control equipment is taxed at 3%	Investments in buildings for energy conservation from gross corporate income	Investment tax credit; property-tax abatement; job-creation tax credit
	4%	All property is assessed at actual value	Exempt from sales and use taxes	Exempt from property tax	Exempt from sales and use taxes	Exempt from sales and use taxes	Credit against corporate income tax is available for qualifying alternative-energy systems	Industrial fuels and raw materials exempt from sales tax; investment tax credit
	5.75%	Property is assessed at 35% taxable value	Exempt from property tax	Exempt from property tax	Exempt from property tax	Exempt from property tax	None	Freeport law; sales for resale exempt from sales and use taxes
	None	All real property is taxed	None	Exempt from property tax	Exempt from property tax	Exempt for 25 years	Exempt from property tax	Property-tax abatement
	6%	Real and tangible property, unless specifically exempted, is taxed	Exempt from property tax	Exempt from property tax	Exempt from sales and use taxes	Exempt from property tax	Exempt	Property-tax abatement; property used for R&D exempt from sales tax
	3.5%	Real and tangible property is taxed at the local level; all property is assessed at 33.3% of market value	Exempt	None	Credit against gross-receipts tax	Credit against gross-receipts tax	None	Industrial fuels and raw materials deductible in determining gross-receipts tax
	4% (4.25% in New York City)	Taxed at the local level	None	None	Exempt from sales and use taxes	Exempt from tax on real property	Exempt for up to 15 years	R&D tax credit; investment tax credit; property-tax abatement; exemptions for construction in areas of New York City
	1%	None	None	None	None	None	None	None

DIRECT FINANCIAL INCENTIVES — BASIC

STATE	INDUSTRIAL-DEVELOPMENT BONDS	UMBRELLA BONDS	STATE GRANTS	CUSTOMIZED INDUSTRIAL TRAINING	OTHER INCENTIVES	CORPORATE INCOME TAX	
NORTH DAKOTA Economic Development Commission Liberty Memorial Building Bismarck, ND 58505 (701) 224-2810	Cities and counties issue tax-exempt bonds to finance acquisition of land, buildings and equipment	None	None	Specialized program custom-trains workers for the specific needs of new and expanding industries	None	Excise tax on corporations doing business in the state is levied against the portion of net income allocated to the state	
OHIO Dept. of Development P.O. Box 1001 Columbus, OH 43266 (614) 466-3379	State issues tax-exempt bonds to provide lower-cost financing to private companies relocating or expanding facilities	None	Thomas Edison Program initiates cooperative R&D between industry and universities	Ohio Industrial Training Program provides financial and technical assistance to small companies for employee training	Direct state loans	.0582% on the corporation's net worth; or 5.1% tax on the first $25,000 of net income and 2% on the income over $25,000	
OKLAHOMA Dept. of Commerce 6601 Broadway Extension Oklahoma City, OK 73116 (405) 843-9770	Local governments establish trusts and authorities to issue bonds for manufacturing projects and pollution-control facilities	None	None	Business Devel. Division provides free employee training to firms locating or expanding operations	Direct state loans; venture capital	5%	
OREGON Economic Development Dept. 595 Cottage Street, N.E. Salem, OR 97310 (503) 373-1200	Oregon Econ. Devel. Commission approves tax-exempt bonds to new and expanding businesses	Commission issues tax-exempt pooled umbrella development bonds to provide loans to smaller new and expanding businesses	Oregon Resource and Tech. Devel. Corp. fosters innovation in existing and new industry	None	Direct state loans	6.6%	
PENNSYLVANIA Governor's Response Team 493 Forum Building Harrisburg, PA 17120 (717) 787-8199	Financing for projects approved through Revenue Bond and Mortgage Prgm. is secured from private-sector sources	None	Ben Franklin Partnership links state, private and educational resources to foster development	Program provides funds to train employees to meet individual employers' needs	Direct state loans	8.5%	
RHODE ISLAND Dept. of Economic Development 7 Jackson Walkway Providence, RI 02903 (401) 277-2601	Issued by R.I. Port Authority and Econ. Devel. Corp. for industrial and commercial projects	None	R.I. Municipal Devel. Fund provides matching grants to companies to help finance infrastructure needs	Job Devel. and Training Program contracts directly with employers to provide on-the-job and classroom training	Direct state loans	8%	
SOUTH CAROLINA State Development Board P.O. Box 927 Columbia, SC 29202 (803) 737-0400	Issued by cities and counties	S.C. Jobs Econ. Devel. Authority composite-investment program obtains low-cost funds for small businesses	None	Special Schools Program provides tailored preemployment and on-the-job training to new and expanding businesses	Direct state loans; privately sponsored development-credit corporations	5%	
SOUTH DAKOTA Dept. of State Development Capitol Lake Plaza, Box 6000 Pierre, SD 57501 (605) 773-5032	County and municipal bonds for pollution control and some other services	None	None	Training for private employees is available through Dept. of State Devel.	None	None	
TENNESSEE Dept. of Economic and Community Development 320 6th Avenue, North Nashville, TN 37219 (615) 741-1888	Municipal tax-exempt bonds for financing of private businesses locating or expanding in the state	None	None	Service Preemployment Program builds skills of prospective employees of new and expanding industries	General obligation bonds	6%	
TEXAS Dept. of Commerce Capital Station, Box 12728 Austin, TX 78711 (512) 472-5059	Local government can set up nonprofit industrial-development corporations	None	None	Industrial Devel. Dept. provides training for companies locating or expanding in the state	Direct state loans	None	
UTAH Dept. of Community and Economic Development Room 6150, State Office Building Salt Lake City, UT 84114 (801) 538-3033	Municipalities and counties issue bonds on behalf of private companies	None	None	None	None	5% of net income or $100, whichever is greater	
VERMONT Agency of Development and Community Affairs 109 State Street Montpelier, VT 05602 (802) 828-3211	Vt. Industrial Devel. Authority helps fund plants eligible for tax-exempt financing under federal rules	None	None	Promotes expansion and job creation by training employees for new and expanding industries	Direct state loans	6%	
VIRGINIA Dept. of Economic Development 1000 Washington Building Richmond, VA 23219 (804) 786-3791	Va. Small Business Financing Authority gives entrepreneurs tax-exempt private activity bonds	None	None	Meets specific company needs with preemployment training, on-the-job training and some types of retraining	None	6%	
WASHINGTON Dept. of Trade and Economic Development 101 General Administration Building Olympia, WA 98504 (206) 753-3065	None	Pools requests for financing into one bond issue, spreading the costs of issuing the bonds among borrowers	Community Econ. Revitalization Board finances public-infrastructure improvements for private-sector development	Job Skills Program provides matching grants to support short-term, job-specific training for local businesses	Industrial-revenue bonds	None	
WEST VIRGINIA State Tax Dept. State Capitol Complex Charleston, WV 25305 (304) 348-2501	State issues low-interest, tax-exempt industrial-revenue bonds under IRS regulations	None	None	Offers tailored training for new and expanding manufacturing firms in the state	Direct state loans	7.875%	
WISCONSIN Dept. of Development 123 W. Washington Avenue P.O. Box 7970 Madison, WI 53707 (608) 266-1018	Cities, villages and municipalities issue bonds for a variety of projects	None	Tech. Devel. Fund gives grants to foster cooperation between business and universities in new-product R&D	Quick-Start Training Program for new and expanding businesses trains and retrains workers to provide skilled labor	Venture-capital corporations	7.9%	
WYOMING Economic Development and Stabilization Board Herschler Building Cheyenne, WY 82002 (307) 777-7284	Issued by cities and counties to provide tax-exempt financing to promote economic growth and to create jobs for residents	Wyo. Community Devel. Authority pools issues to give small companies access to public financing	None	None	Loans and guarantees	None	

BUSINESS TAXES — TAX EXEMPTIONS FOR COMPANIES

	SALES AND USE TAXES	PROPERTY TAX	FOR GOODS IN TRANSIT	FOR BUSINESS INVENTORY	FOR INDUSTRIAL MACHINERY AND EQUIPMENT	FOR POLLUTION-CONTROL EQUIPMENT	FOR ENERGY AND FUEL CONSERVATION	OTHER TAX BREAKS
	5.5%	Real property and certain intangible property is taxed	Exempt from property tax	Exempt from property tax	None	None	Exempt from property tax	Industrial fuels and raw materials exempt from sales and use taxes; job-investment tax credit
	5%	Real property assessed at 35% of true value; personal property assessed at 30% in 1988; rate will decrease until 1993	Exempt from sales and use taxes	None	Exempt from sales and use taxes	Exempt from sales, use and property taxes	Exempt from sales, use and property taxes	Property-tax abatement; investment tax credit; job-creation tax credit
	4%	No state tax	Exempt from sales and use taxes	None	Exempt from sales and use taxes	Up to 20% of cost of installing pollution-control facilities can be credited against corporate income tax	Exempt from sales and use taxes	Technology tax credit; venture-capital tax credit; job-creation tax credit; property-tax abatement
	None	Real and tangible property is subject to local tax	Exempt from property tax	Exempt from property tax	None	Tax credits up to 50% of cost of facilities	Credited against corporate income tax for up to five years	None
	6%	Tax on real property—land and buildings—is levied at the local level	Exempt from tax on personal property	Exempt from property tax	Exempt from sales, use and property taxes	Exempt from sales and use taxes	None	Fuels and raw materials exempt from sales and use taxes; property-tax abatement; property for new-product R&D not taxed
	6%	Real and personal property is subject to local property tax	Exempt from sales tax	Exempt from property tax	Exempt from sales, use and property taxes	Cost of equipment can be amortized over five years; exempt from sales, use and property taxes	Sales and use taxes paid on energy systems are refunded	Industrial fuels and raw materials exempt from sales and use taxes
	3%	Real and personal property is subject to property tax	None	All inventory taxes have been abolished	Exempt from sales and use taxes	Exempt from property tax	None	Industrial fuels and raw materials exempt from sales and use taxes
	4%	Taxable value of property limited to 60% of assessed true and full value of the company	Exempt from property tax	None	Exempt from use and property taxes	None	Credit against property tax	Industrial fuels and raw materials exempt from sales and use taxes; property-tax abatement
	5.5%	None	Exempt from sales and use taxes	All inventories of finished goods exempt from sales and use taxes	Exempt from sales and use taxes	Exempt from property tax; sales and use taxes are being phased out	None	Industrial fuels and raw materials exempt from sales and use taxes
	6%	All real and tangible property taxed by state and local governments and special taxing districts	Exempt from sales tax	None	Exempt from sales and use taxes	None	Exempt	Property-tax abatement
	5%	All tangible personal property is taxed	Exempt from sales and property taxes	Exempt from property tax	Exempt from sales tax	Exempt from sales tax until January 31, 1991	None	Industrial fuels and raw materials exempt from sales tax
	4%	Assessed at 100% of true market value	None	Exempt in some municipalities	Exempt from sales and property taxes	Exempt from property tax	Exempt from property tax	Industrial fuels and raw materials exempt from sales tax
	3.5%	Subject either to state or local tax, but not to both	Exempt from sales and use taxes	Exempt	Exempt from sales and use taxes	Exempt from sales and use taxes	Exempt from city or county property tax for up to 10 years	Fuels and raw materials exempt from sales and use taxes; property-tax abatement; property for new-product R&D not taxed
	6.65%	Property valued at 100% of true and fair worth and assessed, with exceptions, on the same basis	None	Exempt	None	None	None	Tax deferrals for companies in areas with high unemployment
	None	Property assessed at the local level	None	None	None	None	None	Corporate-headquarters tax credit; small-business tax credit; investment tax credits
	5%	Taxed at the local level	Exempt from sales tax	Exempt from property tax	Exempt from sales, use and property taxes	Cost of equipment may be depreciated, amortized over five years or deducted from corporate-franchise income tax	Exempt from property tax	Industrial fuels and raw materials exempt from sales and use taxes; investment tax credit
	3%	Residential and commercial property tax is generally assessed at 8% of market value	Exempt from property tax	Exempt from property tax	Exempt from sales tax	Exempt from property tax	None	No personal income tax

der the new rules of the pact, 50 percent of direct production costs must be North American for cars made on either side. We would both have been better off with a 60 percent North American content provision. This would have forced the Europeans and the Japanese to use more U.S. and Canadian parts in their automobiles.

Q Are there other shortcomings?

A In chemicals, plastics, apparel and textiles—my industries—all proposals to move to zero tariffs immediately were rejected. We had to settle for five-year phase-ins at the minimum.

But overall, most of the failings and criticisms are picayune.

Q How is Du Pont Canada going to benefit?

A Living through the 1982 recession put a little steel in our soul. We've been building a stronger relationship with Du Pont in the United States, and we've been trying to help the global company by supplying products we can make better or cheaper. We're looking in that big U.S. market and finding a lot of opportunities with great potential.

Q Will the new dispute-settlement process, which allows bilateral review of antidumping actions, work?

A It's a major step forward in international trade law. It will bring a little extra measure of civility and rule of law into our trading relationship, and it will modestly reduce the opportunism that seems to be increasing and damaging the relationship. But for more than 90 percent of the trade between us, it's irrelevant.

Q The agreement breaks new ground by treating most services as they are treated in their home country. But financial services seem to have been left out. How do you feel about that?

A We didn't get reciprocity on financial services and Canada has shown some faith in U.S. fairness there. I hope that the United States delivers. In my case, Du Pont Canada is a consumer of financial services. Having a higher level of competition is good for us. It's the consumers who win from free trade. And when your customers win, you win.

Q Will free trade worsen the plight of industries that are already in trouble?

A The industries in real trouble against low-wage world competition could gain some opportunity from specialization in a larger North American market. They may not take advantage of it, but free trade isn't going to make things any worse for them.

Q Which country—the United States or Canada—has the toughest adjustment problem?

A Canada, because we're smaller. That's why the United States should be generous in phasing in the agreement.

Q How will free trade change petty harassment at the borders of both countries, which some companies have complained about?

A As the French have shown us, harassment at the border can still be a creative art. But I think free trade will smooth the flow at the border and make customers on both sides more confident that their supplies won't be interrupted.

Q Can opponents in the United States build enough support to kill the deal?

A If we both manage the thing well, I think there is little prospect of the special interests on either side killing the deal.

Q Both of the Canadian opposition parties, the Liberals and the New Democrats, oppose the pact. Are they likely to abrogate it if they win the next election?

A To win an election, the opposition would have to elect a lot of members from Quebec, the prairie provinces and British Columbia, all of which favor free trade. I think a new prime minister who wanted to cancel the deal would fail to carry his caucus in Parliament.

Q Is there any chance the deal could become "Fortress North America" instead of a liberalization of world trade?

A If the Europeans cannot bite the bullet on agriculture and insist on protecting their farmers in the new round of GATT talks, they could turn this trade deal into Fortress North America. It's really up to them whether this deal is another major push to liberalize trade or a move toward balkanization.

Q You sort of kiss off the failure of the United States and Canada to face up to the farm issue, yet you criticize the Europeans for doing the same thing. Isn't this a double standard?

A No, because agriculture is a world business. It's almost impossible for Canada and the United States to move unilaterally. We need a much wider agreement to end subsidies, dumping and quotas worldwide.

Q Do you see North American free trade expanding to Mexico?

A Mexico today is at the stage we were at in 1910. They don't have the manufacturing infrastructure or the confidence to enter into a deal like this.

Q What about free trade leading to a North American Common Market?

A This is a big step for Canada and we'll have to see how it works. If the pluses outweigh the minuses, people will be prepared to look at something beyond that. But it will take a generation to convince people that liberalized trade doesn't undermine cultural sovereignty.

Q If either government doesn't pass the free-trade agreement this year, can the deal be salvaged?

A Sure, it can be salvaged. But if you miss the opportunity, you lose the drive and the will to make it happen. You have to wait for the momentum to return, which could take a long time. ■

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